

**EXHIBIT 2**

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PUERTO RICO

In re:

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD FOR PUERTO

RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO,  
et al.,

Debtors.

PROMESA

Title III

Case No.

17-BK-3283(LTS)

In re:

THE FINANCIAL OVERSIGHT AND  
MANAGEMENT BOARD OF PUERTO RICO,

as representative of

PUERTO RICO ELECTRIC POWER AUTHORITY,  
Debtor.

PROMESA

Title III

17-BK-4780(LTS)

(Caption continued on following page.)

\* P R O F E S S I O N A L E Y E S O N L Y \*

VIDEOTAPED DEPOSITION

OF

NATALIE A. JARESKO

Reported by:

ANNETTE ARLEQUIN, CCR, RPR, CRR, CLR

JOB NO. 170379

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1 N. Jaresko - Professional Eyes Only  
2 to everyone, including your counsel. I'm  
3 going to hand them to you now.

4 These are documents that have  
5 been marked Exhibits 1 through 4.

6 MR. BASSETT: And just for the  
7 record, Exhibit 1 is the Official  
8 Committee of Unsecured Creditors'  
9 revised deposition notice pursuant to  
10 Rule 30(b)(6) of the Federal Rules of  
11 Civil Procedure dated October 16th,  
12 2019 for today's deposition.

13 Exhibit 2 is a subpoena to  
14 testify at a deposition directed to  
15 Natalie Jaresko.

16 Also for today's deposition,  
17 Exhibit 3 is a copy, I believe, of the  
18 preliminary -- or sorry, the  
19 definitive, rather, Restructuring  
20 Support Agreement that is at issue in  
21 this dispute.

22 And then Exhibit 4 is a copy of  
23 the declaration that you submitted,  
24 Ms. Jaresko, in this case on July 2nd,  
25 2019.

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2 MR. NATBONY: Mr. Bassett, can we  
3 just for the record note that Exhibit 3  
4 is a redlined and the final version --

5 MR. BASSETT: That's fine.

6 MR. NATBONY: -- of the RSA?

7 MR. BASSETT: And also, for the  
8 record, this is what we pulled from the  
9 EMMA filings. This should be the  
10 publicly available version.

11 MR. NATBONY: Thank you.

12 BY MR. BASSETT:

13 Q. So, Ms. Jaresko, first, directing  
14 your attention to the document that's been  
15 marked as Exhibit 1, the Rule 30(b)(6)  
16 deposition notice, do you understand that  
17 you are here today testifying as a  
18 representative on behalf of the Oversight  
19 Board?

20 A. Yes.

21 Q. And if you turn to page 6 of this  
22 document, there are a number of topics of  
23 examination, 1 through 13. And there has  
24 been, leading up to this deposition today,  
25 some discussion with your counsel about the

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2 scope of the topics. But I just want to  
3 ask you whether you are prepared to testify  
4 as to each of these topics today; and, if  
5 not, which ones are you not prepared to  
6 testify on?

7 MR. MASHBERG: So Mr. Bassett, as  
8 you indicated, we have had discussions  
9 about this. We objected to certain of  
10 these topics and indicated that they  
11 are not appropriate for the witness.

12 You can ask her to go through  
13 them. I don't know that she has the  
14 memory. This is not a memory test.  
15 But the record will show that we have  
16 objected to several of these topics as  
17 inappropriate under the rulings of the  
18 court and beyond the scope of this  
19 proceeding.

20 So you can --

21 MR. BASSETT: Okay.

22 MR. MASHBERG: -- go down the  
23 list, but I will state the objections  
24 that we made certain to these topics.

25 MR. BASSETT: So just to expedite

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1 N. Jaresko - Professional Eyes Only  
2 things, then, you're willing to  
3 represent that Ms. Jaresko is here  
4 prepared to testify consistent with the  
5 email exchange we had in advance of  
6 this deposition?

7 MR. MASHBERG: That's correct.

8 MR. BASSETT: Okay.

9 BY MR. BASSETT:

10 Q. Ms. Jaresko, do you also  
11 understand that you are here, and I'll  
12 direct your attention to Exhibit 2, to  
13 testify in your individual capacity?

14 A. Yes.

15 Q. So that means regardless of  
16 whatever topics may or may not apply to the  
17 Rule 30(b)(6) representative deposition,  
18 there may be other questions that I will  
19 ask you that are outside those topics; and  
20 to the extent that it's within your  
21 personal knowledge, unless you are  
22 instructed not to answer, you would answer  
23 that question.

24 Do you understand that?

25 A. Yes.

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2 Q. Ms. Jaresko, what did you do,  
3 without revealing any substance of  
4 communications that you had with counsel,  
5 generally speaking, to prepare for today's  
6 deposition?  
7 A. In preparation for this  
8 deposition, I reviewed documentation. I've  
9 met with my legal counsel. And I have  
10 reviewed my own statement.  
11 Q. How many times did you meet with  
12 your legal counsel?  
13 A. Three to four times.  
14 Q. And was there anyone present at  
15 those meetings aside from your legal  
16 counsel?  
17 A. No, there was not.  
18 Q. Did you talk to anyone other than  
19 your legal counsel as you prepared for this  
20 deposition?  
21 A. I have spoken with and seen one  
22 of my board members who was deposed, David  
23 Skeel. I have spoken with David  
24 Brownstein.  
25 Q. And when did those, when did

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1 N. Jaresko - Professional Eyes Only  
2 those, each of those conversation occur?  
3 A. I had a meeting with board  
4 members and saw David Skeel on Tuesday  
5 afternoon of this week.  
6 I spoke with Mr. Brownstein this  
7 morning.  
8 Q. Was counsel involved in either of  
9 those discussions?  
10 A. No.  
11 Q. So what did you talk to Mr. Skeel  
12 about on Tuesday?  
13 A. I asked Mr. Skeel how his  
14 deposition went, and he said it went well.  
15 Q. Nothing else?  
16 A. Nothing else.  
17 Q. Did you review Mr. Skeel's  
18 deposition transcript?  
19 A. No.  
20 Q. What did you talk to  
21 Mr. Brownstein about this morning?  
22 A. I asked him how his deposition  
23 went, and he said it went well.  
24 Q. You didn't talk about anything  
25 else?

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2 A. No.  
3 Q. You said you reviewed some  
4 documents in advance of the deposition  
5 today.  
6 Without -- excluding any  
7 documents that your counsel showed you,  
8 what documents did you review?  
9 A. I'm sorry, can you repeat the  
10 question?  
11 Q. I don't want you to reveal to me  
12 what documents your counsel showed you in  
13 advance of today's deposition.  
14 So setting aside any documents  
15 that fit in that category, are there other  
16 documents that you reviewed in advance of  
17 the deposition today?  
18 A. My own notes.  
19 Q. Your own notes from what?  
20 A. From reviewing documents, legal  
21 documents, legal filings. My statement,  
22 for example.  
23 Q. So you reviewed your statement,  
24 and you reviewed other legal documents, and  
25 then you took notes while doing that?

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1 N. Jaresko - Professional Eyes Only  
2 A. Yes.  
3 Q. And then you reviewed those  
4 notes?  
5 A. Yes.  
6 Q. When you say other legal  
7 documents and legal filings outside of your  
8 statement, what are you referring to?  
9 A. The declarations of other  
10 individuals, as well as the legal filing  
11 for the RSA.  
12 Q. Okay. So I'd like to direct your  
13 attention now to what's been marked as,  
14 going a little bit out of order here,  
15 Exhibit 4, which is your declaration.  
16 So Ms. Jaresko, who drafted this  
17 declaration?  
18 A. I drafted this in cooperation  
19 with my legal counsel.  
20 Q. Did you do the first draft?  
21 A. No, I did not.  
22 Q. Counsel did the first draft?  
23 A. Yes, I believe so.  
24 Q. How much time did you personally  
25 spend on the declaration?

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1 N. Jaresko - Professional Eyes Only  
2 A. I don't recall exactly how much  
3 time. Hours.  
4 Q. Less than ten hours?  
5 A. Yes, less than ten hours.  
6 Q. Less than five?  
7 A. In that range.  
8 Q. Aside from your attorneys, did  
9 you speak to anyone about your declaration  
10 as you were preparing it?  
11 A. DI deputy general counsel.  
12 Q. Who is that?  
13 A. Kyle Rifkind.  
14 Q. How about since you prepared the  
15 declaration, have you spoken to anybody  
16 about it?  
17 A. No.  
18 Q. Looking at this declaration,  
19 which I trust you're familiar with and I  
20 think you mentioned you reviewed, is  
21 everything in this declaration, to your  
22 knowledge, was it true and accurate at the  
23 time you signed this declaration?  
24 A. Yes.  
25 Q. And is everything in here still

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1 N. Jaresko - Professional Eyes Only  
2 true and accurate today?  
3 A. Some of it has become outdated in  
4 line with events.  
5 Q. Can you tell me what those things  
6 are?  
7 A. Since this document was drafted,  
8 additional supporters of the RSA have been  
9 signed on.  
10 Q. Who would they be?  
11 A. National and Syncora.  
12 Q. Okay. Anything else?  
13 A. Not that I'm aware of. Oh, I  
14 disagree. Mr. Sobrino is no longer the  
15 executive director of AAFAF since this  
16 document was filed --  
17 Q. Okay.  
18 A. -- nor does he play the roles  
19 that are written in the document at this  
20 time.  
21 Q. Okay. If you look at paragraph 6  
22 of the declaration, you described yourself  
23 as the highest-level executive responsible  
24 for a variety of things that are then  
25 listed thereafter.

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1 N. Jaresko - Professional Eyes Only  
2 What does that mean with respect  
3 to the responsibilities that you have  
4 relating to the RSA?  
5 A. As described in this document, I  
6 am the highest level executive at the  
7 Oversight Board. I have a very wide range  
8 of responsibilities, beginning with  
9 coordinating the work on fiscal plans,  
10 moving from the development of fiscal plans  
11 for covered instrumentalities to the  
12 development of budgets within those fiscal  
13 plans on an annual basis.  
14 Moving on from the budgetary  
15 process to the implementation of that  
16 budget and the individual measures within  
17 each of the budget and other reforms for  
18 certain instrumentalities.  
19 I have responsibility for other  
20 parts of the mandate of the Oversight  
21 Board, including contract review, Title V  
22 for economic development purposes.  
23 And then I have responsibility to  
24 coordinate the efforts on behalf of Title  
25 III and Title VI with regard to debt

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2 restructuring, which leads to this in  
3 particular.  
4 I am responsible for developing  
5 the recommendations and analysis that are  
6 developed by our own staff of 30, 35  
7 people, as well as advisers and counsel,  
8 and presenting that to the board of  
9 directors, organizing the meetings of the  
10 board of directors and the discussions of  
11 the board.  
12 Q. Okay. So you don't have any  
13 authority to approve the RSA, correct?  
14 A. I have that authority when given  
15 the authority by the board. And so I have  
16 signed the RSA after the board made the  
17 decision to provide me that authority.  
18 Q. Okay. But ultimately it's the  
19 board members who either had to approve the  
20 RSA or give you the authority to sign the  
21 RSA?  
22 A. Yes.  
23 Q. In paragraph 8 of your  
24 declaration, you referred to  
25 communications. Or you said that you

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1 N. Jaresko - Professional Eyes Only  
2 regularly consult with Christian Sobrino,  
3 who was the executive director of AAFAF at  
4 the time you signed this declaration.

5 About what did you regularly  
6 consult with him?

7 A. Mr. Sobrino played several  
8 critical roles. He was the governor's  
9 representative to the board, so I would  
10 consult with him on board meetings, board  
11 events.

12 Mr. Sobrino was the executive  
13 director of AAFAF, which was the  
14 counterpart for all of the work that we do,  
15 whether it be on debt restructuring or on  
16 budgetary fiscal plan work; so the  
17 development of fiscal plans, the deadlines,  
18 the documentation, the differences between  
19 us during those development processes; as  
20 well as the coordination of debt talks,  
21 debt restructuring, whether they were being  
22 lead by the government under Title VI or by  
23 the board in Title III; as well as the two  
24 of us serving as the co-heads, co-chairs of  
25 the transformation committee delegated by

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1 N. Jaresko - Professional Eyes Only  
2 the governor and the board to work towards  
3 the transformation and complete the  
4 transformation of PREPA.

5 Q. And you spoke with him about the  
6 RSA, correct?

7 A. At times, yes.

8 Q. And when you did that, when you  
9 communicated with him about the RSA, by  
10 what means did you do so?

11 A. By phone, by text message, by  
12 email, by text messenger -- I mean  
13 messenger services.

14 Q. Like Telegram, for example?

15 A. Yes.

16 Q. So let me just understand. How  
17 would you decide which method to use in  
18 communicating with Mr. Sobrino?

19 A. I would just be responsive to  
20 wherever the message came up.

21 Q. So he --

22 A. No selection.

23 Q. -- he would initiate all  
24 conversations?

25 A. I can't recall who initiated

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2 every conversation, but it's random.

3 Q. Okay. But you used, like, text  
4 and then you also used separately Telegram,  
5 for example?

6 A. Correct, yes.

7 Q. Why use Telegram as a means of  
8 communication?

9 A. Again, I use multiple different  
10 messaging, and I don't distinguish between  
11 them.

12 Q. So now that Mr. Sobrino is no  
13 longer with the government, the new  
14 executive director of AAFAF is Mr. Omar  
15 Marrero, correct?

16 A. Yes.

17 Q. Do you consult with Mr. Marrero  
18 in the same way that you consulted with  
19 Mr. Sobrino?

20 MR. MASHBERG: Objection to form.

21 A. Could you restate the question?

22 Q. So I mean, you have indicated in  
23 your declaration that you regularly consult  
24 with Mr. Sobrino, and then you gave me a  
25 description about the types of matters that

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1 N. Jaresko - Professional Eyes Only  
2 you consult with him on.

3 He's no longer the executive  
4 director of AAFAF. He's been replaced by  
5 Mr. Marrero. I'm trying to get a sense of,  
6 do you now communicate with Mr. Marrero in  
7 the same way that you described you  
8 communicated with Mr. Sobrino before he  
9 left AAFAF?

10 A. I communicated about the same  
11 topics with Mr. Marrero, yes.

12 MR. NATBONY: Objection.  
13 BY MR. BASSETT:

14 Q. Do you communicate with him  
15 frequently?

16 A. Yes, I communicate with him  
17 frequently.

18 Q. And have you discussed the RSA  
19 with him?

20 A. No, I have not.

21 Q. Why not?

22 A. It hasn't come up in conversation  
23 as a discussion of the RSA.

24 There's one element that we have  
25 discussed, and that is the transition



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2 charge of one cent, but we haven't  
3 discussed the RSA.

4 Q. You don't -- okay.

5 Have you discussed any matters  
6 relating to the RSA with Mr. Marrero other  
7 than the one cent --

8 A. I have discussed the one cent  
9 charge.

10 Q. Okay. Well, first of all, when  
11 did that discussion occur?

12 A. I don't recall the exact date.  
13 In the last several weeks.

14 Q. What did you discuss with him  
15 about the one cent transition charge?

16 A. We discussed whether or not it  
17 was being -- when and whether or not it was  
18 going to be added to the rates.

19 Q. And what did he say?

20 A. He would look into it.

21 Q. So you reached out to him to ask  
22 him when it would be added to the rates?

23 A. That's correct, yes.

24 Q. Are you aware that a rate motion  
25 has been filed --

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2 A. Yes.

3 Q. -- by PREPA to have the one cent  
4 transition charge added to bills by  
5 offsetting it against the base rate?

6 MR. MASHBERG: Objection to form.

7 A. I'm aware of the motion.

8 Q. So I guess what I'm trying to  
9 understand is, was his answer anything  
10 other than it will be implemented once that  
11 rate motion is decided?

12 MR. MASHBERG: Objection to form.

13 A. His response was as I described  
14 to you, that he would look into it.

15 Q. Okay. But do you have an  
16 understanding, I mean, will it be -- do you  
17 have an understanding as to whether or not  
18 it will be implemented as soon as that rate  
19 motion is ruled upon?

20 MR. MASHBERG: Objection to form.

21 A. I would assume that we will be  
22 implementing the RSA.

23 Q. On that topic, is it the  
24 Oversight Board's understanding that the  
25 settlement charge will not be added as an

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1 N. Jaresko - Professional Eyes Only  
2 additional charge on top of base rates on  
3 customer bills but will be offset against  
4 base rates?

5 MR. NATBONY: Objection to form.

6 MR. MASHBERG: You're talking  
7 about the one cent charge?

8 MR. BASSETT: I said the  
9 settlement charge. Yes.

10 BY MR. BASSETT:

11 Q. The settlement charge as defined  
12 in the RSA is --

13 A. The one cent charge.

14 No. It is my understanding that  
15 it is to be added.

16 Q. So the rate motion, that is  
17 inconsistent with your understanding of how  
18 the RSA would work with respect to the  
19 settlement charge being added to customers'  
20 bills?

21 MR. MASHBERG: Objection to form.

22 A. I have not read the motion that  
23 you described, so I can't --

24 Q. Well, to the extent that it would  
25 ask to have the one cent rate offset

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1 N. Jaresko - Professional Eyes Only  
2 against base rates, it would be  
3 inconsistent with your understanding?

4 A. Yes.

5 MR. NATBONY: Objection to form.  
6 BY MR. BASSETT:

7 Q. And do you have any -- is  
8 there -- do you have any concerns with the  
9 one cent settlement charge being offset  
10 against base rates instead of being added  
11 as an additional charge?

12 MR. NATBONY: Objection to form.

13 A. No, I don't have any concerns.  
14 I'm simply asking the question as to how  
15 things are going to be implemented in  
16 accordance with the RSA.

17 Q. Okay. And in talking with  
18 Mr. Marrero, did you ask him why this rate  
19 motion was filed?

20 A. No.

21 Q. Do you have any understanding as  
22 to why it was filed?

23 A. Nothing more than assumptions,  
24 no.

25 Q. What's your assumption?

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2 A. That someone at PREPA filed it.  
3 I don't -- I don't know why.  
4 Q. You don't know who?  
5 A. No.  
6 Q. You didn't ask?  
7 A. No.  
8 Q. Do you have an understanding of,  
9 under the RSA, when the one cent charge --  
10 I understand that you asked Mr. Marrero  
11 when the one cent charge is going to be  
12 implemented and he said he would look into  
13 it, but do you have an understanding of  
14 when under the RSA it's supposed to be  
15 implemented?  
16 A. Yes, generally.  
17 Q. What is that understanding?  
18 A. Before the -- in the documents,  
19 it says as of July 1st of 2019, but  
20 generally, it's supposed to be implemented  
21 before the agreement is approved.  
22 Q. So how does that work, then, if  
23 it's implemented as of July 1st of 2019 or,  
24 as you said, generally before the agreement  
25 is approved? Do the bondholders who are

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1 N. Jaresko - Professional Eyes Only  
2 account of that one cent charge?  
3 A. Yes.  
4 Q. In cash?  
5 A. Yes.  
6 Q. In paragraph 8 of your  
7 declaration, you mentioned that, and you  
8 referred to this as well, that you co-head  
9 PREPA's transformation supervisory  
10 committee or, I guess, co-headed it at the  
11 time with Mr. Sobrino.  
12 I mean, you describe here  
13 generally what that is, but can you maybe  
14 tell me in a little bit more detail what --  
15 exactly what is the transformation  
16 supervisory committee and what does it do?  
17 A. It is a group of government  
18 representatives, board representatives,  
19 advisers, who are working towards the --  
20 and working on the process of  
21 transformation for PREPA, specifically at  
22 this time focused on a process of  
23 attracting a private operator to manage the  
24 transmission and grid of PREPA.  
25 Q. So my understanding is that the

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1 N. Jaresko - Professional Eyes Only  
2 the beneficiaries of the one cent charge,  
3 do they start receiving payments on account  
4 of that before the 9019 motion is approved  
5 by the court?  
6 MR. NATBONY: Objection to form.  
7 A. I don't know.  
8 Q. What would the point of having it  
9 be implemented as of July 2019 or any other  
10 time prior to the court's approval of the  
11 settlement motion be if it's not actually  
12 distributed to anyone?  
13 A. I just don't know whether it's  
14 being accrued or distributed. I don't  
15 recall.  
16 Q. And when you say "accrued," that  
17 would mean it could be that as soon as the  
18 charge is implemented, it's collected; and  
19 then once the settlement is approved,  
20 whatever has been collected is paid out?  
21 A. Correct. Yes.  
22 Q. But your understanding is that  
23 one way or another, whether it's on a  
24 realtime basis or accrual, the bondholders  
25 will receive whatever has been generated on

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2 P3 Authority --  
3 A. Is one of the government parties.  
4 Q. So the -- excuse me, the P3  
5 Authority is part of the transformation  
6 supervisory committee?  
7 A. They are one of the government  
8 parties in that committee, yes.  
9 Q. Okay. What are your roles and  
10 responsibilities as co-head of that  
11 committee?  
12 A. It's not a formally documented  
13 scope, but the responsibilities are to  
14 ensure that that transformation happens on  
15 an efficient and effective basis and meets  
16 the objectives and goals of the board and  
17 the government and the people of Puerto  
18 Rico.  
19 Q. So you say that you provide input  
20 to the P3 Authority as to the ongoing  
21 transformation process.  
22 What kind of input have you  
23 provided?  
24 MR. MASHBERG: Objection to form.  
25 A. The P3 Authority is one of the



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2 members of the committee. We hear from the  
3 P3 committee where they are in the P3  
4 process, which is a legally based -- a  
5 legal-based process under Puerto Rico law.  
6 We hear from the P3 committee about what  
7 issues have arisen or where the process  
8 requires more work.

9 Q. Who are the other government  
10 parties on the committee?

11 A. Again, it's not a formal scope,  
12 but at that time, COR3 was also represented  
13 because of the importance of attracting and  
14 ensuring the federal funds for the  
15 rebuilding of the transmission grid post  
16 hurricanes Irma and Maria. So there was a  
17 representative from COR3, P3, and there  
18 would be representatives of PREPA at times.

19 That's all that I recall.

20 Q. And has Mr. Sobrino has been  
21 replaced as co-head of that committee?

22 A. I don't know. It's not a formal  
23 committee, so I don't know that they have  
24 formally replaced him. It has not met with  
25 me present since then.

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2 Q. Okay. By the way, when you  
3 referred to transformation -- or strike  
4 that.

5 As I read your declaration in  
6 paragraph 8, the defined term capital T,  
7 Transformation, you define that as a  
8 "process to select a private proponent to  
9 enter into an agreement to manage and  
10 operate PREPA's energy distribution and  
11 transformation system."

12 Do you see that?

13 A. Yes, I do.

14 Q. So my understanding is that there  
15 is another aspect of the transformation  
16 that relates to the potential privatization  
17 of PREPA's generation assets.

18 Are you aware of that?

19 A. Yes.

20 Q. So when you refer to  
21 Transformation throughout your declaration,  
22 again, capital T, the defined term, are you  
23 referring only to the distribution and  
24 transmissions transformation or are you  
25 also referring to the generation

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1 N. Jaresko - Professional Eyes Only  
2 transformation?

3 (Document review.)

4 MR. MASHBERG: Objection to form.

5 A. I would say that in this  
6 document, it is a defined term, and that is  
7 how it is defined in the document.

8 However, when I speak of  
9 transformation, I speak of it more broadly  
10 including but not only that element, as  
11 well as the element of de-linking  
12 generation and the privatization and/or  
13 private operation of generation, as well as  
14 other elements.

15 Q. Okay. I mean, we'll talk about  
16 some other provisions of the -- or other  
17 paragraphs of the declaration that used  
18 that term, but it sounds like, generally  
19 speaking, perhaps it should have been  
20 defined to include both?

21 MR. MASHBERG: Objection to form.

22 A. Again, I would have to go through  
23 and see whether it was used -- in every  
24 paragraph that's been used, whether or not  
25 that would apply.

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2 Q. Okay.

3 A. And I can't tell you unless if --  
4 you'd like to show me --

5 Q. Sure.

6 A. -- a particular paragraph --

7 Q. Sure.

8 A. -- I'm happy to comment on that  
9 one.

10 Q. Sure. Okay. That's fair.

11 A. I don't know what we're looking  
12 at.

13 Q. Yeah, that's fair. We'll get to  
14 that.

15 I would like to direct your  
16 attention to paragraph 10 of your  
17 declaration.

18 You say you participated in the  
19 Oversight Board's internal discussions with  
20 respect to the RSA and with the Oversight  
21 Board's financial and legal advisers.

22 Internal discussions regarding  
23 the RSA, what are you referring to there?

24 A. That is a reference to any  
25 discussion that's not being held during a

<p style="text-align: right;">Page 150</p> <p>1 N. Jaresko - Professional Eyes Only 2 kilowatt-hour would be unsustainable? 3 MR. NATBONY: Asked and answered. 4 A. That is what the letter says, 5 yes. It says unsustainable at 6 approximately 30 cents, yes. 7 At the same time, as I described 8 to you earlier, there is no magic number 9 that at that number, it becomes 10 unaffordable, 30, 29, 31. 11 You can't take the text out of 12 the context of the purpose because the 13 point of the letter is that you have 14 unsustainable rates if you don't act. That 15 the alternative to not doing the things in 16 the letter is unsustainable rates. 17 The focus of the letter is not 18 the 30 cents. 30 cents is an indicator 19 that's why it says "approximately." 20 Q. I just want a clean answer to 21 this question because you're telling me 22 about the purpose of the letter. I'm just 23 asking you, and you said it's not a magic 24 number, but whether it's 29, 30, 31, 25 approximately 30 cents, is unsustainable?</p>	<p style="text-align: right;">Page 151</p> <p>1 N. Jaresko - Professional Eyes Only 2 MR. NATBONY: Objection. 3 MR. MASHBERG: Objection. 4 MR. NATBONY: Asked and answered. 5 MR. MASHBERG: She's answered the 6 question. You got a clean answer. 7 A. I don't know what to add. 8 Q. I mean, is that true or not? 9 MR. NATBONY: Objection. 10 A. Is what true? 11 Q. That a rate of approximately, I'm 12 not holding you to -- the "approximately" 13 qualifier is there, is a rate of 14 approximately 30 cents in your view 15 unsustainable? 16 MR. NATBONY: Asked and answered 17 several times. 18 MR. MASHBERG: Objection to form. 19 A. The higher the rates, the more 20 difficult it is for this economy and for 21 the consumers. The more unsustainable the 22 rate becomes, the higher it becomes. 23 The whole goal of the 24 transformation is to reduce rates. I think 25 we're taking, again -- you're driving it in</p>
<p style="text-align: right;">Page 152</p> <p>1 N. Jaresko - Professional Eyes Only 2 a direction. 3 The reduction of rates is not 4 about the RSA or the legacy claims alone. 5 Those make up, you know, take a look at any 6 of these charts, 15, 12 percent of a rate. 7 So the goal is to reduce rates. 8 The higher they become, the more 9 unsustainable they become. 10 The goal is to reduce every 11 component to the extent possible. The RSA 12 does that with regard to the one component 13 of the legacy bond debt. But the other 14 components are 80 or more percent of it and 15 this is about reducing every component, 16 that one being one part of it. 17 Q. I understand -- I appreciate 18 that. 19 What I'm trying to figure out is, 20 at the time you wrote this letter, you 21 believed that rates of approximately 30 22 cents per kilowatt-hour would be 23 unsustainable, right? 24 MR. NATBONY: Same objection. 25 MR. MASHBERG: Asked and</p>	<p style="text-align: right;">Page 153</p> <p>1 N. Jaresko - Professional Eyes Only 2 answered. She answered that question. 3 A. I really don't know what else to 4 say. 5 Q. Well, I'm just asking you -- 6 A. I'm repeating myself. 7 Q. -- a very simple question, which 8 is -- and I'm not getting an answer -- 9 MR. MASHBERG: You've gotten an 10 answer. You're not listening to what 11 she says. She has specifically 12 answered the question several times. 13 BY MR. BASSETT: 14 Q. Outside of this statement in this 15 letter, has the Oversight Board formed any 16 view as to what level of rates would be 17 sustainable? 18 MR. NATBONY: Objection as to 19 form. 20 MR. MASHBERG: Objection to form. 21 A. As I said earlier, there are 22 target rates that we have been trying to 23 drive as targets, again, targets, to reduce 24 all components of the rates. Yes, we have 25 had target rates and fiscal plans. I don't</p>

<p style="text-align: right;">Page 154</p> <p>1 N. Jaresko - Professional Eyes Only 2 recall the exact number or which document, 3 but we have tried to drive in all cases the 4 rates done to the extent possible. 5 That is the core of why the 6 transformation is occurring, to reduce the 7 fuel cost through the generation side, to 8 reduce the maintenance and increase 9 reliability through the T&amp;D, and to reduce 10 the cost of all the legacy claims through 11 the eventual plan of adjustment in part 12 with this RSA. 13 Q. Has anything happened since 14 September 5th, 2018, until now that would 15 lead you to have a different view as to 16 what level of rates are sustainable? 17 MR. NATBONY: Objection. Lack of 18 foundation. 19 A. Nothing that I can think of. 20 Q. So you mentioned -- or as we've 21 been discussing, it has been your testimony 22 that you think there is an assumption that 23 there is additional room in the fiscal plan 24 to raise rates to pay claims of other 25 creditors, is that correct, including the</p>	<p style="text-align: right;">Page 155</p> <p>1 N. Jaresko - Professional Eyes Only 2 fuel line lenders and potentially the 3 committee? 4 MR. NATBONY: Objection. 5 Mischaracterizes. 6 BY MR. BASSETT: 7 Q. I'm sorry. Let me restate the 8 question. 9 It is your understanding, I 10 believe, as you've testified, and correct 11 me if I'm wrong, that there is an 12 assumption in the fiscal plan that space 13 remains in rates to potentially provide 14 recoveries to other legacy creditors aside 15 from the bondholders? 16 MR. MASHBERG: Objection to form. 17 BY MR. BASSETT: 18 Q. I'm not trying to be difficult. 19 I thought that's what you testified to. 20 A. What I was trying to say was that 21 in the fiscal plan, the board understands 22 and acknowledges and documents the need to 23 pay other claims. 24 Space in the rates, and I may 25 have used that language, if I recall, is</p>
<p style="text-align: right;">Page 156</p> <p>1 N. Jaresko - Professional Eyes Only 2 the way I described what was on the page, 3 right. 4 Q. Okay. Do you have an 5 understanding of whether under the RSA, if 6 PREPA were to reach a settlement with other 7 creditors that would pay the -- and I'm 8 talking about other legacy creditors -- 9 that would pay those legacy creditors by, 10 for example, increasing or adding another 11 surcharge, would the bondholders who are a 12 party to the RSA have to consent to that 13 settlement? 14 MR. NATBONY: Objection. Calls 15 for a legal conclusion. 16 MR. MASHBERG: Objection to form. 17 A. I don't recall. 18 Q. You don't recall whether there is 19 some indebtedness that's permitted and 20 other that is not under the RSA? 21 MR. NATBONY: Objection. 22 MR. MASHBERG: Objection. 23 A. I think I referred to that once 24 before. I know that additional 25 indebtedness is allowed, not in the form of</p>	<p style="text-align: right;">Page 157</p> <p>1 N. Jaresko - Professional Eyes Only 2 incremental additional transition charge, 3 but we'd have to go back to the documents 4 to review the text of the document. 5 Q. Has the Oversight Board been in 6 -- was the Official Committee of Unsecured 7 Creditors part of any of the negotiations 8 of the RSA? 9 A. No, I don't believe they were. 10 Q. Why not? 11 A. I don't recall a specific reason 12 other than the progress made with certain 13 creditors and the process that occurred. 14 Q. Were the fuel line lenders 15 involved? 16 MR. MASHBERG: Involved in what? 17 MR. NATBONY: Objection. 18 MR. BASSETT: Negotiations of the 19 RSA. 20 MR. MASHBERG: Objection to form. 21 A. I believe there was a time when 22 there were discussions ongoing with the 23 fuel line lenders. I don't know whether 24 they were involved in the negotiation. I 25 don't believe they were involved in the</p>

<p style="text-align: right;">Page 158</p> <p>1 N. Jaresko - Professional Eyes Only 2 negotiations of the RSA, but there were 3 discussions with fuel line lenders at 4 different times, yes. 5 Q. When negotiating and deciding to 6 -- strike that. 7 When deciding to enter into the 8 RSA, did you consider the effect, if any, 9 that it would have other creditors of PREPA 10 aside from the bondholders? 11 A. Yes, you know, the board -- I'm 12 restating my testimony. 13 We assumed that there would be 14 additional discussion with additional 15 legacy claims, and we acknowledged that 16 throughout the process. Reaching this 17 agreement did not in any way change the 18 ability, willingness of the board to reach 19 additional agreements. 20 Q. So it's your view that this 21 agreement has no effect whatsoever on the 22 ability of PREPA to negotiate agreements 23 with other creditors? 24 MR. MASHBERG: Objection as to 25 the form of the question.</p>	<p style="text-align: right;">Page 159</p> <p>1 N. Jaresko - Professional Eyes Only 2 MR. NATBONY: Objection as to 3 form and legal conclusion. 4 A. Could you restate the question, 5 please? 6 Q. Does this agreement, the RSA, 7 have any effect on PREPA's ability to 8 negotiate assessments with other creditors? 9 MR. NATBONY: Objection as to 10 form and legal conclusion. 11 MR. MASHBERG: Objection as to 12 form. 13 A. Yes, it has some effect. There 14 is an MFN clause that I'm aware of that has 15 some effect on any future discussions. 16 Q. Other than that? 17 A. What I told you previously with 18 regard to additional indebtedness not in 19 the form of the transition charge. 20 Q. I'm sorry, additional 21 indebtedness is not in the form of the 22 transition charge, that's -- no 23 indebtedness other than the transition 24 charge permissible under the RSA? Is that 25 what you told me?</p>
<p style="text-align: right;">Page 160</p> <p>1 N. Jaresko - Professional Eyes Only 2 MR. MASHBERG: Hold on a second. 3 MR. NATBONY: Objection as to 4 form. 5 MR. MASHBERG: Objection as to 6 form. 7 A. No, that is not what I said. 8 Q. What did you say? 9 A. It is my recollection that the 10 RSA does permit additional indebtedness but 11 not in the form of the transition charge. 12 That's how I recall it. 13 Again, I'd be happy if you could 14 share the document with me and I could 15 refer to the text of the document. 16 Q. Okay. I think we'll do that in a 17 minute. All right. 18 Earlier you alluded to, I 19 believe, one of the benefits of the RSA 20 being that it settled the receivership 21 litigation; is that correct? 22 A. Yes. 23 Q. And I think you said that absent 24 a settlement, there was a chance that rates 25 could increase in an unstrained fashion and</p>	<p style="text-align: right;">Page 161</p> <p>1 N. Jaresko - Professional Eyes Only 2 in an unpredictable manner; is that right? 3 MR. MASHBERG: Objection to form. 4 MR. NATBONY: Objection. 5 A. In general terms, yes. 6 Q. So do you have an understanding 7 as to whether any rate increases have to be 8 approved by a regulator? 9 A. It's my understanding -- 10 MR. NATBONY: Objection to form. 11 A. It's my understanding that they 12 do. 13 Q. Which regulator? 14 A. PREB. PREB, the Puerto Rico 15 Energy Bureau. 16 Q. First, as part of your decision 17 to approve the RSA, did the Oversight Board 18 conduct any analysis concerning the 19 likelihood that PREB would, in fact, 20 approve rate increases absent a settlement 21 of the receivership litigation? 22 MR. MASHBERG: Objection to form. 23 A. Not that I recall. 24 Q. So in other words, if you were to 25 assume that PREPA loses the receivership</p>



<p style="text-align: right;">Page 162</p> <p>1 N. Jaresko - Professional Eyes Only 2 litigation and either the receivership or 3 bondholder seeks to have rates increased to 4 pay their legacy bond debt, there was no 5 analysis or assessment undertaken by the 6 Oversight Board as to the likelihood that 7 PREPA would actually do that? 8 MR. MASHBERG: Objection to form. 9 A. As I recall, the trust agreement 10 would have allowed them to increase the 11 rates at a rate covenant that allowed them 12 to increase the rates, plus a margin. 13 I do not recall analyzing whether 14 or not someone -- the regulator would try 15 to stop that. 16 Q. Will you turn to page 47 of the 17 fiscal plan, please. 18 (Witness complies.) 19 Q. Do you see in the right-hand 20 column, it says, "PREB standards for 21 enforcing rate mechanics." 22 A. Yes. 23 Q. And the first one says, 24 "Amendments to rates require PREB 25 approval"?</p>	<p style="text-align: right;">Page 163</p> <p>1 N. Jaresko - Professional Eyes Only 2 A. Yes. 3 Q. And the second one below that 4 sayings "Rate-setting standard under Act 5 17-2019 rates for electric service must 6 be..." and then it says "...prudent and 7 reasonable consistent with accurate fiscal 8 and operating practices and provide for 9 reliable service at the lowest possible 10 cost." 11 Do you see that? 12 A. Yes. 13 Q. So is it your understanding that 14 PREB would have to determine that any rate 15 increase is consistent with those 16 requirements? 17 MR. MASHBERG: Objection to form. 18 MR. NATBONY: Objection. 19 MR. MASHBERG: You're taking it 20 out of context. 21 MR. CAIN: Calls for a legal 22 conclusion. 23 A. I am not an expert on rate 24 setting or on the regulator. I just really 25 cannot comment. This is not an area of my</p>
<p style="text-align: right;">Page 164</p> <p>1 N. Jaresko - Professional Eyes Only 2 detailed expertise. 3 Q. Well, you're here as the 4 representative of the Oversight Board in 5 connection with the Oversight Board's 6 request for approval of the RSA as being in 7 the Oversight Board's best interest and 8 being reasonable for all the reasons set 9 forth in your declaration. 10 And what I'm trying to figure out 11 is, in determining that a benefit of the 12 settlement was avoiding these rate 13 increases that could occur if a settlement 14 is not entered into, did you conduct any 15 analysis? 16 Did you ask for any advice 17 regarding whether or not that rate increase 18 would actually even happen? 19 MR. MASHBERG: Objection to form. 20 You're also asking for a legal 21 conclusion, which is not part of the 22 witness's responsibilities under 23 30(b)(6). 24 A. We received a variety advice and 25 counsel and believed that there was a real</p>	<p style="text-align: right;">Page 165</p> <p>1 N. Jaresko - Professional Eyes Only 2 risk that if there was a receiver, that 3 receiver would have the right to increase 4 rates in alignment with the legacy debt. 5 Q. What do you mean by "the right to 6 increase rates"? 7 A. The right to increase the rates 8 as necessary to repay the legacy debt per 9 the legacy debt requirements. 10 Q. But before that, you agreed with 11 me that any rate increase has to be 12 approved by PREB, right? 13 A. That's what it appears, yes. 14 Q. Even if a receiver were appointed 15 and sought that rate increase? 16 A. That is my assumption, yes. 17 Q. So to be clear, in approving this 18 agreement, which you've said is based in 19 part on the benefit that comes from 20 avoiding rate increases absent an 21 agreement, you did not conduct any analysis 22 or assessment or ask for any advice 23 regarding the likelihood that PREB, upon 24 the request of a receiver, would actually 25 increase rates.</p>

<p style="text-align: right;">Page 166</p> <p>1 N. Jaresko - Professional Eyes Only</p> <p>2 MR. MASHBERG: Objection to form.</p> <p>3 A. Just the opposite. I said that</p> <p>4 our judgment and our analysis after</p> <p>5 receiving advice and counsel was that rates</p> <p>6 would -- there was a high risk of rates</p> <p>7 increasing, yes. And that means that PREB</p> <p>8 might have to approve it, might approve it.</p> <p>9 Q. Who did you rely on for the</p> <p>10 advice you received that led you to</p> <p>11 determine that there was a high risk of</p> <p>12 rates increasing, including with PREB</p> <p>13 approval?</p> <p>14 A. We relied on the advice of legal</p> <p>15 counsel, Proskauer and O'Neill &amp; Borges,</p> <p>16 and well as our advisers, in this case,</p> <p>17 Citi and McKinsey and...</p> <p>18 THE WITNESS: Can we take a break</p> <p>19 now?</p> <p>20 MR. BASSETT: Does everyone want</p> <p>21 to do lunch now?</p> <p>22 THE WITNESS: Yes.</p> <p>23 THE VIDEOGRAPHER: The time is</p> <p>24 1:04. Off the record.</p> <p>25 (Recess is taken.)</p>	<p style="text-align: right;">Page 167</p> <p>1 N. Jaresko - Professional Eyes Only</p> <p>2 A F T E R N O O N S E S S I O N</p> <p>3 (Time noted: 1:56 p.m.)</p> <p>4 * * *</p> <p>5 THE VIDEOGRAPHER: We're back on</p> <p>6 the record. The time is 1:56.</p> <p>7 Beginning video No. 3.</p> <p>8 MR. MASHBERG: Before we begin,</p> <p>9 Mr. Bassett, the witness, Ms. Jaresko,</p> <p>10 would like to clarify something that</p> <p>11 came up during her questions right</p> <p>12 before lunch.</p> <p>13 MR. BASSETT: Okay.</p> <p>14 MR. MASHBERG: Ms. Jaresko, can</p> <p>15 you make your clarification, please?</p> <p>16 THE WITNESS: Yes. I apologize,</p> <p>17 but I'd like to correct what I said. I</p> <p>18 confused two issues in the RSA and</p> <p>19 misspoke.</p> <p>20 * * *</p> <p>21 N A T A L I E A. J A R E S K O,</p> <p>22 resumed and testified as follows:</p> <p>23 EXAMINATION BY (Cont'd.)</p> <p>24 MR. BASSETT:</p> <p>25 Q. Okay.</p>
<p style="text-align: right;">Page 168</p> <p>1 N. Jaresko - Professional Eyes Only</p> <p>2 A. I'm referring to the issue of</p> <p>3 additional indebtedness for legacy claims.</p> <p>4 So this was Exhibit 3, page -- well, let's</p> <p>5 see.</p> <p>6 Q. I think I know.</p> <p>7 A. It's like the term sheet-looking</p> <p>8 document --</p> <p>9 Q. IB4 or 5, IB-something?</p> <p>10 A. Page 14 --</p> <p>11 Q. No? Okay.</p> <p>12 A. -- and page 9.</p> <p>13 Page 14 refers to other charges,</p> <p>14 which is what you were asking me about,</p> <p>15 which is what I -- which are additional</p> <p>16 legacy claims against PREPA and whether or</p> <p>17 not they could be added. I said they could</p> <p>18 not be added in the transition charge. I</p> <p>19 was wrong. It can be.</p> <p>20 I confused it, unfortunately,</p> <p>21 with on page 9, additional permitted</p> <p>22 indebtedness, which is not legacy claims</p> <p>23 but any future -- potential future</p> <p>24 indebtedness, and that cannot be in the</p> <p>25 form of a transition charge like this.</p>	<p style="text-align: right;">Page 169</p> <p>1 N. Jaresko - Professional Eyes Only</p> <p>2 So I apologize. I confused those</p> <p>3 two. But legacy is referred to on page 14</p> <p>4 as other charges and the additional</p> <p>5 permitted indebtedness on page 9 for</p> <p>6 non-legacy, new incrementally additional</p> <p>7 indebtedness --</p> <p>8 Q. Thank you.</p> <p>9 A. -- which cannot be in the form of</p> <p>10 a transition charge.</p> <p>11 Q. Thank you for that clarification.</p> <p>12 Ms. Jaresko, how did that come to</p> <p>13 your attention during the break?</p> <p>14 A. I was thinking about what I said</p> <p>15 in the two different categories, and when I</p> <p>16 came in here, I went to the document and</p> <p>17 pulled it out.</p> <p>18 Q. So to make sure I understand, is</p> <p>19 -- because I don't think this was covered</p> <p>20 by what you were just talking about, but</p> <p>21 would PREPA be able to take on new</p> <p>22 indebtedness for the purpose of repaying</p> <p>23 preexisting indebtedness?</p> <p>24 MR. NATBONY: Objection as to</p> <p>25 form.</p>



<p style="text-align: right;">Page 170</p> <p>1 N. Jaresko - Professional Eyes Only 2 A. I don't know the answer to that. 3 It doesn't -- it doesn't clearly state that 4 in the documents. 5 Q. So, for example, restructuring 6 existing indebtedness through the issuance 7 of new indebtedness? 8 MR. MASHBERG: Objection to form. 9 A. I look at that as a legal 10 question. I don't know the answer to that. 11 I'll go back and refer to the document. 12 (Document review.) 13 A. Again, I'm just reading from the 14 document, but on additional permitted 15 indebtedness, A6, there is a reference to 16 indebtedness incurred to refinance in whole 17 or in part, but then it refers back to A1 18 through A5. 19 Q. Right. 20 And I've read this as well, and 21 my understanding is that I don't think that 22 would cover legacy indebtedness, but you 23 can let me know if that's incorrect. 24 MR. MASHBERG: I'm not clear what 25 the question is.</p>	<p style="text-align: right;">Page 171</p> <p>1 N. Jaresko - Professional Eyes Only 2 MR. NATBONY: If there is a 3 question, I object on a legal 4 conclusion. 5 A. So it's my understanding that the 6 "other charges" section refers to any 7 payment of legacy obligations. That's the 8 way I understand. 9 Q. And that's through a charge, 10 through, like, for example, another charge 11 similar to a transition charge? 12 A. Other transition charges -- 13 MR. NATBONY: Same objection. 14 MR. MASHBERG: Objection to form. 15 A. A document refers to other 16 transition charges, statutory charge, or 17 other tax or revenue stream to provide for 18 the payment. 19 MR. BASSETT: Just a reminder, 20 one objection is good for all. 21 MR. NATBONY: Sometimes we have 22 different objections. 23 BY MR. BASSETT: 24 Q. Is it possible to impose a charge 25 to pay back legacy obligations without</p>
<p style="text-align: right;">Page 172</p> <p>1 N. Jaresko - Professional Eyes Only 2 incurring additional indebtedness? 3 MR. MASHBERG: Objection to form. 4 MR. NATBONY: Objection. 5 A. I'm not a lawyer. It sounds like 6 we're looking for legal definitions. I'm 7 not aware. I don't know the answer to 8 that. 9 Q. So let me -- okay. Let's look 10 at -- if I can direct your attention to the 11 next section of the RSA. So it's going to 12 be -- now you directed my attention to page 13 14, right? I don't know if you have that. 14 I'm sorry. I should have asked before you 15 left the page. 16 A. Yes, sir. Yes. 17 Q. If you go to the next page, you 18 have IA, this is a Demand Protection Term 19 Sheet. 20 And then after that, you have the 21 Schedule IB, which is the securitization 22 protections. 23 Do you see that? 24 A. Yes. 25 Q. Can you go to page IB 4, please?</p>	<p style="text-align: right;">Page 173</p> <p>1 N. Jaresko - Professional Eyes Only 2 And I'm not going to read the whole thing 3 into the record, but I want to direct your 4 attention to Section 5, "Certain Covenants" 5 at the bottom of IB 4. 6 And I guess what I'm trying to 7 figure out is, is it possible to read this 8 covenant section, which describes certain 9 things that the government of Puerto Rico 10 will not do, consistent with the other 11 charges provision you showed me on page 14? 12 MR. MASHBERG: Objection to form. 13 Legal conclusion. 14 MR. NATBONY: Objection. 15 BY MR. BASSETT: 16 Q. As an example, I'd direct your 17 attention to 5A 4. 18 Read together, that would say 19 "The government of Puerto Rico..." and I'm 20 skipping some language here, "...will agree 21 in covenant with the issue of each secured 22 party that it will not..." and I'm skipping 23 the rest, but then it says, "...for imposed 24 charges, taxes or other fees on electricity 25 other than those directly associated with</p>

<p style="text-align: right;">Page 174</p> <p>1 N. Jaresko - Professional Eyes Only 2 the operation of the system or authorized 3 debt secured by restructuring property..." 4 and it goes on. 5 What I'm trying to understand is, 6 as I read this, it seems to prohibit the 7 imposition of additional charges under this 8 covenant. So I don't know how that can be 9 read consistent with what you just showed 10 me on page 14. 11 MR. NATBONY: Objection. 12 MR. MASHBERG: Objection to form. 13 MR. NATBONY: Legal conclusion. 14 BY MR. BASSETT: 15 Q. Can you explain that, please? 16 A. I'm not a lawyer, but to the 17 extent that I understand it, it says, 18 "except as otherwise permitted by the 19 securitization trust agreement," and it'd 20 be my understanding as a non-lawyer, that 21 the other charges, the same language that I 22 pointed to earlier on page 14, would be 23 reflected in that securitization trust 24 agreement as well; and, therefore, as with 25 the exception, except charges like the ones</p>	<p style="text-align: right;">Page 175</p> <p>1 N. Jaresko - Professional Eyes Only 2 in page -- on page 14, which would 3 theoretically be in the securitization 4 trust agreement. However, again, I repeat, 5 I am not a lawyer. 6 Q. If you go back to page 14, it 7 says, in that provision, it says, "subject 8 to any restrictions in the securitization 9 trust agreement." 10 Do you see that? 11 A. Yes. 12 Q. So a securitization trust 13 agreement, has that been drafted? 14 A. No, it has not. 15 Q. Okay. So there's no way knowing 16 at this time what those restrictions might 17 be? 18 A. That is my understanding, yes. 19 Q. Before we broke, Ms. Jaresko, I 20 had asked you some questions about what 21 analysis you undertook and what advice you 22 received regarding the likelihood that 23 rates would increase absent a settlement. 24 And we talked about specifically the 25 likelihood of PREB increasing rates. And I</p>
<p style="text-align: right;">Page 176</p> <p>1 N. Jaresko - Professional Eyes Only 2 believe you told me that you did, in fact, 3 receive advice from your advisers on that 4 topic? 5 MR. NATBONY: Objection as to 6 form. 7 BY MR. BASSETT: 8 Q. Is that correct? 9 A. Yes, we received advice from 10 legal and counsel and advisers. 11 Q. So specifically, which adviser 12 provided advice to you as to the likelihood 13 that PREB would increase rates? 14 A. I don't recall it specifically. 15 I recall discussions about the potential 16 risk of losing that receiver litigation and 17 that receiver having the right to raise 18 rates, which would then be approved, if 19 necessary, by PREB. 20 Q. Did any of the advisers, though, 21 provide advice specifically relating to 22 whether PREB would, in fact, approve a rate 23 increase requested by a receiver? 24 MR. MASHBERG: Hold on a second. 25 I'm going to instruct you not to</p>	<p style="text-align: right;">Page 177</p> <p>1 N. Jaresko - Professional Eyes Only 2 answer that question to the extent it 3 may require you to divulge any 4 communications with your counsel, the 5 FOMB's counsel, with respect to legal 6 advice. 7 MR. BASSETT: I believe it was a 8 "yes" or "no" question. 9 Can you read back the question, 10 please? 11 (Question was read back as 12 follows: 13 "QUESTION: Did any of the 14 advisers, though, provide advice 15 specifically relating to whether PREB 16 would, in fact, approve a rate increase 17 requested by a receiver?") 18 A. I don't recall any conversations 19 specifically pointing or discussing that 20 issue. 21 As I said, we talked in general 22 terms with advisers about the potential 23 risk of rates being increased by a receiver 24 and that, you know, it was assumed that 25 PREB would potentially approve those rates</p>

<p style="text-align: right;">Page 178</p> <p>1 N. Jaresko - Professional Eyes Only 2 in accordance with the rights of that 3 receiver to do it in particular situations. 4 Q. Okay. So, but, again, you just 5 said that -- 6 A. The specifics, we did not 7 discuss -- I did not -- I do not recall 8 discussing specifically the rights or the 9 role of PREB -- 10 Q. Okay. 11 A. -- in that specific instance. 12 Q. Okay. And in your prior answer, 13 you had -- or part of that answer, you had 14 just said it was assumed that PREB would 15 potentially approve the requested rate 16 increases. 17 What's that assumption based on? 18 A. My assumption is based similarly 19 on the same document you pointed to earlier 20 that talked about reasonableness. And the 21 understanding of reasonableness in some -- 22 from some perspectives would include 23 reasonable if it is required by law and if 24 they have a right in the rate covenant in 25 trust documents that that is reasonable to</p>	<p style="text-align: right;">Page 179</p> <p>1 N. Jaresko - Professional Eyes Only 2 request and to add to the rates. 3 Q. Okay. But you didn't receive 4 advice on that specific topic, as you just 5 said before? 6 A. No, I did not. 7 Q. Okay. So can I direct your 8 attention back to Exhibit 11, please. 9 So I just wanted to direct your 10 attention on page 23 again to the second 11 bullet down that says, "The restructuring 12 support agreement is conditioned on the 13 legislature approving legislation that 14 enables the imposition and collection of 15 the mechanics of the transition charge." 16 Do you see that? 17 A. Yes. 18 Q. So you and I had a discussion 19 before about what legislative approvals 20 were necessary for the RSA. And I believe 21 what you had told me at the time was that 22 only -- the only legislative approval that 23 you were aware of was approval for the 24 demand protections? 25 Do you recall that testimony?</p>
<p style="text-align: right;">Page 180</p> <p>1 N. Jaresko - Professional Eyes Only 2 A. Yes, in general terms, yes. 3 Q. I guess, does this refresh your 4 recollection as to legislation being 5 necessary for the imposition and collection 6 of the transition charge? 7 MR. NATBONY: Objection. Calls 8 for a legal conclusion. 9 MR. MASHBERG: Objection to form. 10 A. Do I -- I see what it says, and I 11 don't dispute what it says here. 12 I think the way I understood your 13 previous question, we would have to go 14 back, but the way I understood it was 15 whether or not -- what I understood the 16 previous question to be was whether or not 17 the legislature was required to approve 18 transition charges, which I understand to 19 be specific numbers and specific charges. 20 And I was trying to say, no, I don't 21 believe legislation was required for the 22 imposition of specific transition charges. 23 Q. I understand. 24 A. This talks about the 25 securitization as a whole. And, yes, they</p>	<p style="text-align: right;">Page 181</p> <p>1 N. Jaresko - Professional Eyes Only 2 have a role to play and they have a 3 necessity to approve some legislation with 4 regard to the mechanics. 5 And what I was speaking about in 6 terms of mechanics was the demand 7 protection is part of it. 8 Q. I see. 9 So is any approval, legislative 10 or regulatory, required for the actual 11 transition charge? 12 MR. NATBONY: Objection. Calls 13 for a legal conclusion. 14 MR. MASHBERG: Objection to form. 15 A. I don't know the answer to that 16 at this time. 17 Q. Well, we talked about how PREB 18 has -- we talked at length about how PREB 19 approves rate increases, right? 20 A. I think this is a legal question 21 for my lawyers, and there are -- and I'm 22 not -- 23 Q. I understand and I'm not -- look, 24 I really am not meaning to give you a legal 25 examination here.</p>

<p style="text-align: right;">Page 182</p> <p>1 N. Jaresko - Professional Eyes Only 2 I'm just trying to understand as 3 the representative of the Oversight Board 4 who is talking about the Oversight Board's 5 decision to approve the RSA, I'm just 6 trying to understand what you knew and what 7 you took into consideration at the time you 8 decided to approve it. 9 And one of the questions I have 10 is, you know, what did you know about what 11 would have to happen for it to be 12 implemented. 13 And my question to you is -- you 14 told me before that you understood that 15 legislation would have to be passed for the 16 demand protections. You're saying that 17 legislation does not need to be passed for 18 the transition charge itself. 19 What I'm asking you is, what 20 approvals, if any, are you aware of in 21 connection with your approval of this 22 agreement that are necessary for the 23 transition charge to be imposed? 24 MR. MASHBERG: Objection to form. 25 MR. NATBONY: And legal</p>	<p style="text-align: right;">Page 183</p> <p>1 N. Jaresko - Professional Eyes Only 2 conclusion. 3 A. I believe we're still working 4 through the specific answers to those 5 questions and that we understand there is 6 legislative approval necessary for some 7 portions of this and it's as written here, 8 and that there may be PREB approval 9 necessary as well, as written in the 10 document that you referred to earlier, for 11 increase in rates. 12 Q. Ms. Jaresko, are you aware of 13 whether any legislation -- strike that. 14 Are you aware that the 15 securitization structure contemplates that 16 the bondholders will have a statutory lien 17 on the transition charge? 18 MR. MASHBERG: Objection to form. 19 MR. NATBONY: Calls for a legal 20 conclusion. 21 A. That's not an area that I'm very 22 knowledgeable about. 23 Q. So that's not something you knew 24 about one way or the other at the time the 25 Oversight Board approved the RSA?</p>
<p style="text-align: right;">Page 184</p> <p>1 N. Jaresko - Professional Eyes Only 2 MR. MASHBERG: Objection to form. 3 A. I don't recall that specific 4 issue in any detail. 5 Q. So you don't recall whether 6 legislation would have been necessary, for 7 example, to create a statutory lien? 8 MR. NATBONY: Same objection. 9 MR. MASHBERG: Objection to form. 10 A. I just don't recall that 11 conversation. 12 (Jaresko Exhibit 13, Email dated 13 5/16/19 from Zayas to Unknown party, 14 Bates-stamped FOMB_9019_MOBILE_00000088 15 through 95, marked for identification, 16 as of this date.) 17 BY MR. BASSETT: 18 Q. Ms. Jaresko, I've handed you a 19 document marked Exhibit 13 that I believe 20 consists of a series of text messages. And 21 the Bates label on this is 22 FOMB_9019_MOBILE, a series of zeroes, and 23 then 88. The first text message is dated 24 May 16th, 2019. 25 First of all, if you look at the</p>	<p style="text-align: right;">Page 185</p> <p>1 N. Jaresko - Professional Eyes Only 2 "from" on this text message it's from 3 somebody by the name of Edward Zayas, and 4 then it's to what says an unknown party, 5 and there is some garbled letters and 6 numbers. 7 Is this a text message -- are 8 these your text messages? 9 A. I believe they are, yes. 10 Q. Do you know who Edward Zayas is? 11 A. Yes, I do. 12 Q. Who is that? 13 A. Edward is our communications 14 director, press spokesperson. 15 Q. What date was the RSA approved, 16 to your memory? 17 Does May 3rd, 2019, sound right? 18 A. Yes, it does sound right. 19 Q. Okay. So this was May 16th, 20 2019, approximately two weeks after. 21 And Mr. Zayas emails you and 22 says, "About PREPA," and then says, "is it" 23 -- or texts you, rather and says, "is it 24 okay if Kike," I believe is how that looks 25 to be pronounced, "limits his questions</p>



<p style="text-align: right;">Page 198</p> <p>1 N. Jaresko - Professional Eyes Only</p> <p>2 A. Yes.</p> <p>3 Q. What are those interdependent</p> <p>4 initiatives that you talk about there of</p> <p>5 which this is part of a broader range?</p> <p>6 MR. NATBONY: Objection. Asked</p> <p>7 and answered.</p> <p>8 A. It relates to the transformation.</p> <p>9 That range of initiatives includes</p> <p>10 everything from ensuring that there is a</p> <p>11 more independent depoliticized regulator,</p> <p>12 which we had accomplished through the</p> <p>13 legislation; to the attraction of the</p> <p>14 private operator to the transmission in the</p> <p>15 grid; to the most efficient and beneficial</p> <p>16 use of federal funds to rebuild the</p> <p>17 destruction caused by hurricanes Irma and</p> <p>18 Maria; to the separation of the generation</p> <p>19 assets and eventual private operation and</p> <p>20 privatization of them; and in so doing,</p> <p>21 reducing fuel costs, which also meant</p> <p>22 including initiatives that were underway</p> <p>23 currently at PREPA, for example, moving to</p> <p>24 L&amp;G at San Juan 5 and 6, amongst</p> <p>25 potentially other things. It is a wide</p>	<p style="text-align: right;">Page 199</p> <p>1 N. Jaresko - Professional Eyes Only</p> <p>2 range of things that need to get done and</p> <p>3 that this refers to.</p> <p>4 Q. These are all things that need to</p> <p>5 get done for the transformation to be</p> <p>6 completed? I'm just trying to understand</p> <p>7 if that's what you were saying.</p> <p>8 A. These are all parts of general</p> <p>9 understanding of transformation, yes.</p> <p>10 Q. On page 10 of your declaration,</p> <p>11 you talk about the reduction of</p> <p>12 indebtedness.</p> <p>13 And you talk about how the</p> <p>14 Tranche A bonds will be in a principal</p> <p>15 amount equal to 67-and-a-half percent of</p> <p>16 the applicable bond claim, and then Tranche</p> <p>17 B bonds is in an amount up to, I believe,</p> <p>18 10 percent of the applicable bond claims,</p> <p>19 for a total possible percentage of</p> <p>20 77-and-a-half percent.</p> <p>21 Is that how you understand</p> <p>22 bondholders' recoveries to work under the</p> <p>23 RSA?</p> <p>24 MR. MASHBERG: Objection to form.</p> <p>25 A. If you're reading what's stated,</p>
<p style="text-align: right;">Page 200</p> <p>1 N. Jaresko - Professional Eyes Only</p> <p>2 what's stated is correct. Up to 10</p> <p>3 percent. We never expected, with the</p> <p>4 projections that we were using for the</p> <p>5 Tranche B bonds, to pay in full at 10</p> <p>6 percent but something closer to 5 percent.</p> <p>7 So the expectation was somewhere, a total</p> <p>8 of 73 percent, 73-and-a-half.</p> <p>9 Q. So you're aware that the RSA</p> <p>10 contains other components of consideration</p> <p>11 beyond the Tranche A and Tranche B bonds</p> <p>12 that go to bondholders, right?</p> <p>13 MR. MASHBERG: Objection to form.</p> <p>14 A. Yes.</p> <p>15 Q. That would include, for example,</p> <p>16 the settlement payments; is that right?</p> <p>17 A. Yes.</p> <p>18 Q. And administrative claims; is</p> <p>19 that right?</p> <p>20 A. Yes.</p> <p>21 Q. And waiver and support fees; is</p> <p>22 that correct?</p> <p>23 A. Yes.</p> <p>24 Q. And payment of legal fees; is</p> <p>25 that correct?</p>	<p style="text-align: right;">Page 201</p> <p>1 N. Jaresko - Professional Eyes Only</p> <p>2 A. Yes.</p> <p>3 Q. Did the Oversight Board perform</p> <p>4 any calculation as to what the total</p> <p>5 recovery of bondholders would be when all</p> <p>6 components of consideration are included?</p> <p>7 MR. NATBONY: Objection as to</p> <p>8 form.</p> <p>9 MR. MASHBERG: Objection.</p> <p>10 A. That's not the way we look at it</p> <p>11 or calculate it.</p> <p>12 Q. Why not?</p> <p>13 A. These two sets of bonds are the</p> <p>14 restructuring of the legacy claim through</p> <p>15 the petition date. Some of the other costs</p> <p>16 that you describe are costs that occurred,</p> <p>17 frankly speaking, after, in essence, this</p> <p>18 occurs, like the equivalent of</p> <p>19 post-petition interest. So the</p> <p>20 administrative claim, as an example, it is</p> <p>21 something that's calculated from May 1st</p> <p>22 through another date, and that is</p> <p>23 post-petition calculated already, assuming</p> <p>24 that this transaction, this restructuring,</p> <p>25 this new securitization occurs. So you</p>

<p style="text-align: right;">Page 202</p> <p>1 N. Jaresko - Professional Eyes Only 2 wouldn't add it in the way that you would 3 calculate a single number. 4 Q. Well, how about just in terms of 5 the total dollars out, did you do that 6 calculation? 7 A. We certainly did it in terms 8 of -- and reviewed it multiple times in 9 terms of what it meant in terms of 10 transition rates -- transition charges, 11 excuse me, transition charges. 12 Q. I don't understand that. I'm 13 sorry. 14 The transition charge only goes 15 to pay the Tranche A and Tranche B bonds, 16 right? 17 A. Transition -- can you repeat the 18 question, please? 19 Q. Well, let me ask a different 20 question. 21 I'm just trying to understand, 22 did the Oversight Board sit down and 23 perform a calculation to say here is the, 24 for example, the present value of all 25 consideration that's going to the</p>	<p style="text-align: right;">Page 203</p> <p>1 N. Jaresko - Professional Eyes Only 2 bondholders under the settlement? 3 A. I don't recall present value of 4 all of those together, no. 5 Q. You mentioned post-petition 6 interest. 7 Do you have an understanding of, 8 as a representative of the Oversight Board, 9 whether the bondholders are entitled to 10 post-petition interest? 11 A. From a legal perspective, I don't 12 know the answer to your question. But to 13 clarify my previous statement, I said like 14 post-petition interest. 15 The idea behind that 16 administrative charge is that we have 17 reached agreement and yet we're asking the 18 same creditors that are parties to this 19 agreement to wait, to wait not a month, not 20 two months, but something probably likely 21 to be a year or potentially longer, and 22 that is the idea behind that administrative 23 charge. 24 Q. So you think they're entitled to 25 post-petition interest because they have to</p>
<p style="text-align: right;">Page 204</p> <p>1 N. Jaresko - Professional Eyes Only 2 wait? 3 A. It's part of a larger agreement. 4 It's part of reaching agreement with 5 people, asking them to forbear their rights 6 and not litigate, asking them to give up 7 their receiver litigation that was pending. 8 It's part of a larger agreement, and it's a 9 small piece of a large agreement. And the 10 larger agreement is, when taken all 11 together, including those smaller pieces, 12 part of that reasonable deal, part of that 13 reasonable agreement. 14 Q. Before agreeing to award the 15 bondholders what amounts to post-petition 16 interest, did you conduct any analysis as 17 to whether or not, in the absence of the 18 settlement, they would be entitled to 19 post-petition interest? 20 MR. MASHBERG: Objection to form. 21 MR. NATBONY: Objection to form. 22 A. I think that's a question for my 23 legal counsel. 24 Q. Did you ask for advice from your 25 legal counsel on that question before</p>	<p style="text-align: right;">Page 205</p> <p>1 N. Jaresko - Professional Eyes Only 2 approving the RSA? 3 MR. NATBONY: Objection. 4 A. I don't remember asking that 5 direct question, no. I do not recall that. 6 Q. Do you recall receiving advice on 7 that question? 8 MR. NATBONY: Objection. 9 A. Again, I received and asked for 10 advice about the nature of the entire scope 11 of the transaction. 12 Q. Back to the specific question of 13 the advice on post-petition interest, are 14 you aware of whether anyone at the 15 Oversight Board received advice on that 16 question? 17 A. I'm not aware of it. 18 Q. Are you aware of the fact that 19 the new bonds do not have a maturity date? 20 A. Yes, I am aware. 21 Q. So before, I think you mentioned 22 one of the benefits of the RSA is that 23 through the transition charge, the rates 24 that would be used to pay bondholders are 25 capped; is that right?</p>



<p style="text-align: right;">Page 206</p> <p>1 N. Jaresko - Professional Eyes Only</p> <p>2 A. The rates are not capped. The</p> <p>3 transition charge is capped.</p> <p>4 Q. The transition charge is capped.</p> <p>5 And as a result, if demand were</p> <p>6 to decrease to the point where the</p> <p>7 transition charge doesn't, you know, pay</p> <p>8 the bondholders what they would be doing in</p> <p>9 an individual year on debt service, there</p> <p>10 is no true-up?</p> <p>11 I think I've seen that in your</p> <p>12 declaration --</p> <p>13 A. Yes.</p> <p>14 Q. -- is that correct?</p> <p>15 MR. MASHBERG: Objection to form.</p> <p>16 A. Yes, and that -- yes, there's no</p> <p>17 true-up mechanism. And we viewed that as a</p> <p>18 major advantage in, again, assuring</p> <p>19 predictability and stability of the rates</p> <p>20 for the ultimate consumers.</p> <p>21 Q. But isn't there ultimately a</p> <p>22 true-up because there's no maturity date?</p> <p>23 The bondholders -- is it correct that the</p> <p>24 bondholders will ultimately receive</p> <p>25 everything they are owed on the new bonds,</p>	<p style="text-align: right;">Page 207</p> <p>1 N. Jaresko - Professional Eyes Only</p> <p>2 plus accrued interest, including interest</p> <p>3 on interest; it's just a question of how</p> <p>4 long that takes?</p> <p>5 MR. MASHBERG: Objection to form.</p> <p>6 A. So the way I understand it, they</p> <p>7 are indeed going to receive their</p> <p>8 67-and-a-half percent recovery regardless</p> <p>9 of how long it takes.</p> <p>10 Q. And I think I'm going to pull a</p> <p>11 line from Mr. Brownstein's deposition, but</p> <p>12 it could take 300 years in theory; is that</p> <p>13 correct?</p> <p>14 MR. MASHBERG: Is that a</p> <p>15 question?</p> <p>16 BY MR. BASSETT:</p> <p>17 Q. It could take as long as it</p> <p>18 takes, correct?</p> <p>19 A. Correct.</p> <p>20 Q. And if debt service isn't paid in</p> <p>21 one year, then interest accrues whatever</p> <p>22 debt service, including interest, that</p> <p>23 hasn't been paid, right?</p> <p>24 A. I don't recall the calculation,</p> <p>25 but I understand that interest is paid</p>
<p style="text-align: right;">Page 208</p> <p>1 N. Jaresko - Professional Eyes Only</p> <p>2 before principal.</p> <p>3 Q. You didn't have an understanding</p> <p>4 when you entered into the agreement whether</p> <p>5 or not these bonds would charge interest on</p> <p>6 unpaid interest?</p> <p>7 MR. MASHBERG: Misstates the</p> <p>8 testimony. Objection to form.</p> <p>9 BY MR. BASSETT:</p> <p>10 Q. Do you have an understanding as</p> <p>11 to whether or not these bonds would accrue</p> <p>12 interest on unpaid interest?</p> <p>13 A. It's my understanding they would,</p> <p>14 yes.</p> <p>15 Q. Are you aware of the coupon rate</p> <p>16 on the securitization bonds?</p> <p>17 A. Yes.</p> <p>18 Q. Are you aware that coupon rate</p> <p>19 was arrived at in connection with the</p> <p>20 preliminary RSA in July of 2018?</p> <p>21 A. Yes, I am.</p> <p>22 Q. In connection with your</p> <p>23 consideration of the RSA, did you, I mean</p> <p>24 the Oversight Board, receive any advice or</p> <p>25 conduct any analysis regarding yields in</p>	<p style="text-align: right;">Page 209</p> <p>1 N. Jaresko - Professional Eyes Only</p> <p>2 the municipal bond market?</p> <p>3 A. Yes, we did at that time.</p> <p>4 Q. At the time of the preliminary</p> <p>5 RSA?</p> <p>6 A. Yes, we did.</p> <p>7 Q. Did you ever update that analysis</p> <p>8 after entering into the preliminary RSA?</p> <p>9 A. Not that I recall.</p> <p>10 Q. Why not?</p> <p>11 A. It is a very small component of</p> <p>12 the overall costs that we are talking here,</p> <p>13 and it is something that moves with the</p> <p>14 market in small fashion at different times</p> <p>15 and we -- not that I recall. I didn't have</p> <p>16 the discussion of it moving at one or</p> <p>17 another time.</p> <p>18 Q. Do you have any understanding of</p> <p>19 whether yields have increased or decreased</p> <p>20 in a municipal bond market since July of</p> <p>21 2018?</p> <p>22 A. I have a general understanding,</p> <p>23 yes.</p> <p>24 Q. In which direction?</p> <p>25 A. That they have decreased. But I</p>

<p style="text-align: right;">Page 218</p> <p>1 N. Jaresko - Professional Eyes Only 2 get. Our position was that their claim is 3 weak. However, I cannot predict a court's 4 decision and there is a probability of 5 risk. And I was advised by counsel and by 6 my advisers that this was a real risk and 7 that we benefitted from eliminating this 8 risk. 9 Q. So I'm not asking you to predict 10 the outcome right now. I'm asking you just 11 if, if you have an understanding of what 12 the outcome would be if the government lost 13 in litigation against the bondholders. 14 MR. MASHBERG: She answered that 15 question already. Objection to form. 16 A. It was my understanding that we 17 would -- if we lost, it would -- that they 18 were oversecured and entitled to 100 19 percent payment of interest, principal, 20 plus fees. 21 Q. Okay. What does "oversecured" 22 mean to you? 23 A. That they would get paid 100 24 percent prior to other claims being paid. 25 That they were more secured; that they were</p>	<p style="text-align: right;">Page 219</p> <p>1 N. Jaresko - Professional Eyes Only 2 oversecured in their position and in their 3 claims. 4 Q. Does it mean they would be 5 secured by collateral that exceeds the 6 value of their claims? 7 A. Collateral in the form of 8 potentially revenues, yes. 9 Q. Did you calculate what the full 10 amount of the payments bondholders would be 11 entitled to receive would be with the 100 12 percent of interest, principal, plus fees? 13 A. To some extent, I believe the 14 answer to that question is page 122 of 142 15 of the fiscal plan, page 104. It talks 16 about what the rates would be without debt 17 restructuring. 18 This may not be in full, 19 incomplete, because it may not -- I'm not 20 certain the basis for which the 21 calculation, whether it included all fees, 22 for example. But this is the 23 unstructured -- the cost of 24 unstructured debt. 25 Q. Which page?</p>
<p style="text-align: right;">Page 220</p> <p>1 N. Jaresko - Professional Eyes Only 2 A. Well, document page 122 of 142. 3 Q. Oh, I'm sorry. It's hard to read 4 sometimes. 5 A. But at the bottom of the page, 6 it's page 104. 7 Q. I see. 8 A. So at the top, it's page 122 of 9 142. 10 Q. I guess I'm just talking about in 11 terms of the total value of -- I mean, is 12 there a total combined number of, you know, 13 X billion dollars, or whatever it would be, 14 for 100 percent interest, principal, plus 15 fees that you calculated when you decided 16 whether or not to approve the RSA? 17 MR. MASHBERG: Objection to form. 18 A. I don't recall a gross number. I 19 recall the comparison again of the p/v of 20 this agreement and what we accomplished 21 with this RSA as compared to what that 22 would be, and this RSA was some 40 percent 23 of the present value of the unstructured 24 legacy debt. But in terms of a gross 25 number, I don't recall.</p>	<p style="text-align: right;">Page 221</p> <p>1 N. Jaresko - Professional Eyes Only 2 Q. In the next sentence, you say 3 "However weak this claim may be in view of 4 the Oversight Board, supporting bondholders 5 have advanced it aggressively and even if 6 rejected by the court, it is expected the 7 decision would be appealed resulting in 8 further risk, litigation costs, and delay, 9 all of which is vitiated by the 10 settlement." 11 Do you see that? 12 A. Yes. 13 Q. So according to this, you viewed, 14 at the time you decided to enter into the 15 RSA, the bondholders' position in 16 litigation as weak; is that right? 17 A. Yes, at the -- on the basis of 18 the judgment of the counsel that I 19 received. 20 Q. How weak? 21 MR. MASHBERG: Objection to form. 22 A. I don't even know -- I don't know 23 how to answer that. 24 Q. Did you conduct any probabilistic 25 assessment of the likelihood of outcome in</p>

<p style="text-align: right;">Page 222</p> <p>1 N. Jaresko - Professional Eyes Only 2 litigation? 3 MR. MASHBERG: Objection to form. 4 A. Probabilistic assessment? 5 Q. Yes. 6 A. No. No. 7 Q. So when you say that you 8 believe -- if you believe their position is 9 weak, is it fair to say that -- by the way, 10 elsewhere, I believe you characterized the 11 government's arguments as strong. 12 If you believe the government's 13 arguments are strong and that the 14 bondholders a week, is it fair to say that 15 you believe the government has a greater 16 than 50 percent likelihood of prevailing in 17 litigation? 18 MR. NATBONY: Objection. 19 MR. MASHBERG: Objection to form. 20 A. I never thought about it in 21 probability terms so... 22 Q. I'm just trying to get a sense 23 what you mean by "weak." 24 I mean, does that mean you 25 thought that -- you actually thought that</p>	<p style="text-align: right;">Page 223</p> <p>1 N. Jaresko - Professional Eyes Only 2 there was a greater chance that the 3 bondholders would win? 4 A. No. 5 Q. So you thought there was a 6 greater chance that if you had to 7 litigate -- 8 A. The government would -- 9 (Crosstalk.) 10 A. I apologize. 11 Q. I apologize. 12 I just want to see the 13 transcript. 14 So the last question in the 15 transcript was: Does that mean you thought 16 there was a chance the bondholders would 17 win -- 18 MR. MASHBERG: Objection. Asked 19 and answered. 20 MR. BASSETT: I'm just trying to 21 figure out where we are in the 22 transcript. I'm sorry. 23 MR. NATBONY: I don't think 24 that's the question. The question was 25 does that mean you thought there was a</p>
<p style="text-align: right;">Page 224</p> <p>1 N. Jaresko - Professional Eyes Only 2 better chance, not that they were -- 3 that a chance. That's not what your 4 question was. 5 MR. BASSETT: You're right. The 6 transcript was wrong. 7 MR. NATBONY: The transcript is 8 inaccurate. 9 (Discussion off the record.) 10 MR. BASSETT: I'll just reask the 11 question. 12 BY MR. BASSETT: 13 Q. So did you think that the 14 government had a better chance of winning 15 in litigation than the bondholders? 16 MR. MASHBERG: Objection to form. 17 A. As I stated earlier, I can't put 18 a probability on winning or losing. We 19 believed our case was strong. We believed 20 we had strong arguments. I was advised by 21 counsel that we had a strong case. 22 However, it is not predictable with 23 certainty. That's why it's defined as 24 risk. 25 Q. I understand that. But if the</p>	<p style="text-align: right;">Page 225</p> <p>1 N. Jaresko - Professional Eyes Only 2 bondholders' claims are weak, as you 3 characterized them in your declaration, how 4 is it that they could have a greater chance 5 than the government in prevailing in 6 litigation? 7 MR. MASHBERG: Object to form. 8 You're just arguing with the witness 9 now. 10 A. I did not say they had a greater 11 chance. I said there was a risk. 12 Q. So but -- 13 A. I am not putting a probability 14 and a number on it. I said we believed our 15 case was strong but there was an 16 outstanding risk. I don't know what that 17 probability was. Was it 50? Was it 60? 18 Was it 30? Was it 10? Was it 15? I don't 19 have a number to put it on it. 20 In the judgment of my counsel and 21 in the judgment of the board and myself, 22 there was an outstanding risk, an 23 unpredictable risk, and this resolved that 24 risk. 25 Q. So it would be fair to say that</p>

<p style="text-align: right;">Page 226</p> <p>1 N. Jaresko - Professional Eyes Only 2 you were concerned about just the fact that 3 there was a risk and not the level of that 4 risk? 5 MR. MASHBERG: Objection to form. 6 MR. NATBONY: Objection to form. 7 A. No, I think that would be 8 oversimplification. We believed there was 9 a real risk; albeit, we believed we had a 10 strong case. And it wasn't just that the 11 risk existed, which is what your question 12 implied, no. 13 Q. I'm just trying to understand how 14 is it you can have a strong case but yet 15 not be able to say that you think that you 16 had a greater likelihood than the 17 bondholders of prevailing. 18 MR. MASHBERG: She's answered 19 that question several times now. Let's 20 move on. 21 BY MR. BASSETT: 22 Q. Can you try to answer one more 23 time? 24 A. You said -- read the question to 25 me one more time.</p>	<p style="text-align: right;">Page 227</p> <p>1 N. Jaresko - Professional Eyes Only 2 (Question was read back as 3 follows: 4 "QUESTION: I'm just trying to 5 understand how is it you can have a 6 strong case but yet not be able to say 7 that you think that you had a greater 8 likelihood than the bondholders of 9 prevailing.") 10 A. I don't think I said that we 11 didn't have a greater likelihood. That's 12 the definition of "strong" is. 13 You asked me to put a numerical 14 probability to it and I am unable to give 15 you 50, 51 or 54 or 60. But, yes, to me, 16 that's the definition of a strong case. 17 We believed there was a greater 18 likelihood that would make it strong. 19 However, we had no knowledge of the final 20 outcome. And there was a real risk, I 21 can't put a number on it what the 22 probability was, that we might lose. And 23 that even if we won, it would be appealed 24 and that appeal process would take another 25 year and another set of costs and another</p>
<p style="text-align: right;">Page 228</p> <p>1 N. Jaresko - Professional Eyes Only 2 period of time that would take away from 3 the focus of what we were trying to do with 4 this agreement and what I described to you 5 earlier needs to get done for the people of 6 Puerto Rico and for the economy here to 7 have any chance of recovering. 8 We can't spend another three 9 years, another five years just litigating 10 and going through the process of 11 determining who is more or less right when, 12 you know, we need reliable, low cost 13 electricity for life, for schools, for 14 business. 15 And this agreement is about not 16 just the element of eliminating this risk 17 and whether it's 40 or 50, but of doing 18 something much bigger, much greater that is 19 critical for Puerto Rico. And this is just 20 a small element of it and it kind of -- it 21 takes it out of context to put the numbers 22 on a specific legal risk when the risk, the 23 real risk is that you don't have functional 24 electricity at a reasonable rate that's 25 reliable and you can't, you can't -- the</p>	<p style="text-align: right;">Page 229</p> <p>1 N. Jaresko - Professional Eyes Only 2 society and the economy can't return to a 3 higher level of functionality and 4 development. 5 Q. Thank you. 6 So do you have an understanding 7 of what it would mean to prevail in 8 litigation? 9 In other words, if the government 10 wins in litigation against the bondholders, 11 what do the bondholders have at that point? 12 MR. MASHBERG: Objection. Calls 13 for a legal analysis. 14 A. And I don't even know what 15 litigation you're referring to 16 specifically. The receiver litigation, 17 lien, I don't know what we're talking 18 about. 19 Q. Let's start with the lien 20 litigation, please. 21 MR. MASHBERG: Objection. 22 Calling for a legal conclusion. 23 A. I would have to ask lawyers for 24 counsel on answering these questions. I'm 25 not a lawyer. It's not my area of</p>

<p style="text-align: right;">Page 230</p> <p>1 N. Jaresko - Professional Eyes Only 2 expertise. 3 Q. But I guess you don't think, in 4 deciding whether or not the settlement was 5 reasonable, you needed to understand what 6 it would mean to win and what it would mean 7 to lose? 8 MR. MASHBERG: Objection. 9 Objection. You're mischaracterizing 10 her testimony and trying to put words 11 in her mouth. 12 A. Winning and losing involve very 13 specific things; much higher costs to PREPA 14 and to PREPA's consumers, much less 15 predictability for those consumers; and 16 definitely interference in trying to 17 achieve the transformation that require 18 certainty and predictability and moving 19 forward and out of bankruptcy. 20 So I understood those risks and 21 the cost of being mired in that litigation, 22 whichever of the pieces it was, whichever 23 of them had different effects, the receiver 24 had one effect, something else had a 25 different effect, but all of them I</p>	<p style="text-align: right;">Page 231</p> <p>1 N. Jaresko - Professional Eyes Only 2 understood very well would put at risk the 3 entire transformation and put at risk that 4 development that I described to you just 5 previously. 6 Q. Will you go to page 33 of your 7 declaration, please. 8 A. There isn't a page. 9 Q. I'm sorry, paragraph 33. It 10 says, "As director of the Oversight Board, 11 I became familiar with the issues 12 concerning the amount and enforceability of 13 the bondholders' alleged liens." 14 Do you see that? 15 A. Yes. 16 Q. All right. So what I'm trying to 17 ask you is, what is the government parties' 18 position as to the amount of the 19 bondholders' liens? 20 MR. MASHBERG: Objection. Asked 21 and answered. 22 A. Exactly what I just said, that 23 this is a reasonable outcome as compared to 24 what we would have to go through in terms 25 of winning every litigation, winning every</p>
<p style="text-align: right;">Page 232</p> <p>1 N. Jaresko - Professional Eyes Only 2 appeal, the time and the cost without 3 undermining, as I've written here, the 4 goals that were identified by the board in 5 negotiating this agreement. 6 Those costs outweighed it both 7 monetary but also not only monetary, time, 8 uncertainty, unpredictability. 9 Q. I understand that, but, 10 respectfully, I don't think I'm getting an 11 answer to my question. 12 In your declaration, you say that 13 as executive director of the Oversight 14 Board, you became familiar with the issues 15 concerning the amount and enforceability of 16 the bondholders' alleged liens. 17 And I'm just asking you, given 18 that you've said that you have familiarity 19 with the issues concerning the amount and 20 enforceability of the liens, what is your 21 understanding of the amount of the liens 22 assuming the government is correct in 23 litigation? 24 MR. MASHBERG: It says with the 25 issues concerning the amount and</p>	<p style="text-align: right;">Page 233</p> <p>1 N. Jaresko - Professional Eyes Only 2 enforceability of the alleged liens. 3 So if we're going to parse the 4 language, let's read it specifically. 5 The issues concerning the amount and 6 enforceability. But I object. This 7 has all been asked and answered. 8 A. And my answer to the question is 9 paragraph 29; that they would be entitled 10 to 100 percent payment of interest, 11 principal, plus fees. 12 And when you asked me what that 13 meant, I also referred you to the document 14 that showed the transition charges that 15 would be the equivalent of unstructured 16 debt. 17 Q. But I'm asking if the government 18 were to prevail against them in litigation, 19 does that mean they have no liens? 20 That's what -- I'm trying to get 21 your understanding of that. 22 A. If the government -- 23 Q. I'm not trying to be difficult, 24 I'm sorry. If the government prevailed. 25 MR. NATBONY: Objection page form.</p>



<p style="text-align: right;">Page 266</p> <p>1 N. Jaresko - Professional Eyes Only 2 securitization termination, the 3 securitization structure no longer exists, 4 but the bondholders get the stipulated 5 treatment? 6 MR. DELL: Objection to form. 7 MR. MASHBERG: Objection to form. 8 MR. DELL: Calls for a legal 9 conclusion. 10 A. As I described earlier, what I 11 understand is that in a securitization 12 termination, the detail and the structure 13 falls away and the economics remain in 14 place. The stipulation treatment would 15 mean that we maintain the economics without 16 the necessary detail of the structure. 17 Q. So the bondholders would still 18 get their applicable bond claim and an 19 allowed amount, correct? 20 MR. DELL: Objection to form. 21 A. Again, I'm not a lawyer, so 22 applicable bond claim I'm sure has a legal 23 definition, which I'm not going to answer 24 the question. 25 The way I understand it is as I</p>	<p style="text-align: right;">Page 267</p> <p>1 N. Jaresko - Professional Eyes Only 2 described to you, which is the economics of 3 the deal. The discount remains 67 -- the 4 maximum of 67-and-a-half and 10 percent. 5 Q. Under that situation, how would 6 the bondholders be paid on their new bonds? 7 A. That would be something that I 8 understand we would need to work out in 9 that situation. 10 Q. But that may or may not contain 11 any of the same protections and benefits 12 that are contained in the securitization 13 structure, right? 14 MR. NATBONY: Objection to form. 15 MR. MASHBERG: Objection to form. 16 MR. DELL: Objection to form. 17 A. It is our intent -- if you're 18 speaking with regard to the rate cap that 19 the transition charge concept of capping 20 rate -- not having a rate covenant, it is 21 our intent and it is our intention and our 22 understanding that we would have that 23 included in any other structuring of the 24 bonds. 25 Q. Where is that in this agreement?</p>
<p style="text-align: right;">Page 268</p> <p>1 N. Jaresko - Professional Eyes Only 2 A. I don't recall if it's in the 3 agreement. 4 Q. So if it's not in the agreement, 5 would you have any entitlement to that? 6 MR. NATBONY: Objection. Lack of 7 foundation. 8 MR. MASHBERG: Objection to form. 9 Calling for a legal conclusion. 10 A. What I described was our 11 intention to include it in any further 12 negotiations of any revised structure that 13 we would have to come up with. 14 Q. But regardless of whether or not 15 you are in fact able to include it in a 16 revised structure that you come up with, 17 the bondholders are entitled to the same 18 economic treatment? 19 MR. DELL: Objection to form. 20 MR. MASHBERG: Objection. 21 A. And I'd have to have legal 22 counsel to answer that question. 23 Q. As the representative of the 24 Oversight Board talking about the RSA, you 25 don't know whether or not, in the event of</p>	<p style="text-align: right;">Page 269</p> <p>1 N. Jaresko - Professional Eyes Only 2 a securitization termination, the 3 government has the right to continue to 4 impose the same terms and conditions that 5 are set forth in the securitization 6 structure? 7 MR. NATBONY: Objection. 8 MR. MASHBERG: Objection. 9 A. I don't recall whether it's in 10 the agreement or not, but I am sure that 11 we've been advised on the subject. I just 12 don't recall. 13 Q. I'd like to direct your attention 14 to page 41 of the RSA, specifically D5 15 which says that "This definitive RSA may be 16 terminated by any of the government parties 17 as to any individual supporting holder if 18 such supporting holder commits a bondholder 19 breach upon the receipt by such supporting 20 holder of a notice delivered in accordance 21 with Section 27." 22 Do you see that? 23 A. I do. 24 Q. Do you have an understanding of 25 what happens with regard to any settlement</p>



<p style="text-align: right;">Page 270</p> <p>1 N. Jaresko - Professional Eyes Only 2 payments or other cash payments under the 3 RSA that have been made to a supporting 4 holder who is found they have committed a 5 bondholder breach in the event of an 6 individual termination? 7 MR. NATBONY: Objection. Calls 8 for a legal conclusion. 9 MR. MASHBERG: The document 10 speaks for itself. 11 A. I don't recall it. If you would 12 wish me to look at a particular -- 13 Q. Sure. 14 A. -- of the document, but I -- 15 Q. Let's look at page 40, romanette 16 2. It says, "In the event of a stipulated 17 treatment termination as to all supporting 18 holders or an individual termination as to 19 an individual supporting holder." 20 Do you see that? 21 A. Yes. 22 Q. And then there is one and then 23 there is two, which says, "All prior 24 settlement payments, increased settlement 25 payments, adequate protection payments, and</p>	<p style="text-align: right;">Page 271</p> <p>1 N. Jaresko - Professional Eyes Only 2 payments made on administrative claims as 3 applicable received by the supporting 4 holder subject to such termination shall be 5 retained by the recipient." 6 Do you see that? 7 A. Yes, I do. 8 Q. So now do you have that 9 understanding as to what happens to those 10 payments in the event of a bondholder 11 breach that leads to an individual 12 termination? 13 MR. NATBONY: Objection. 14 MR. MASHBERG: Objection. You're 15 just reading a document to her. 16 A. I've read the document. 17 Q. My question for you is, as the 18 representative of the Oversight Board who 19 approved this transaction, how does it make 20 sense to allow a bondholder who has 21 terminated the RSA, to receive all the 22 payments -- to retain all the payments that 23 it has received thereunder? 24 MR. NATBONY: Objection. 25 MR. MASHBERG: Objection to form.</p>
<p style="text-align: right;">Page 272</p> <p>1 N. Jaresko - Professional Eyes Only 2 Mischaracterizes the document. 3 A. Again, I will say what I've said 4 earlier which is you're pulling one small 5 potential theoretical situation out of a 6 very long and complex agreement. 7 The individual detail that you 8 mentioned I am quite certain has been 9 discussed, considered, analyzed by my 10 advisers in the context of this entire 11 agreement, but I don't have a legal comment 12 on that specific small piece of this. 13 I am responsible for the document 14 as a whole, what it accomplishes. Yes, I 15 understand the document and these risks, 16 but I don't have a particular comment on 17 that particular line. 18 Q. So let me direct your attention 19 to page 6 of the RSA where it defines 20 bondholder breach. 21 It includes the situation where a 22 supporting holder takes any action that has 23 a material adverse effect on any 24 transformation transaction. 25 Do you see that?</p>	<p style="text-align: right;">Page 273</p> <p>1 N. Jaresko - Professional Eyes Only 2 A. Yes. 3 Q. So as the representative of the 4 Oversight Board and the executive director 5 of the Oversight Board who had submitted 6 the declaration attesting to the 7 reasonableness of this transaction, is it 8 your view that it's reasonable and in the 9 best interest of the Oversight Board and 10 PREPA to allow a supporting holder who has 11 taken an action that has a material adverse 12 effect on the transformation to retain 13 payments it has received under this 14 agreement? 15 MR. MASHBERG: Objection. Asked 16 and answered. 17 A. I have stated that the agreement 18 as a whole is reasonable with that included 19 and as a part of it, not taken out of 20 context individually as one line. 21 MR. BASSETT: I'm think I'm close 22 to done. Can we take a break? 23 THE VIDEOGRAPHER: The time 4:07. 24 Going off the record. 25 (Recess is taken.)</p>

<p style="text-align: right;">Page 274</p> <p>1 N. Jaresko - Professional Eyes Only 2 THE VIDEOGRAPHER: We're back on 3 the record. The time is 4:19. 4 EXAMINATION BY 5 MS. MÉNDEZ COLBERG: 6 Q. For the record, this is Jessica 7 Méndez on behalf of UTIER and Systema 8 de Retiro de los Empleados de la 9 Autoridad de Energía Eléctrica. 10 Ms. Jaresko, my question to you 11 is if the oversight board analyzed the 12 impact of the RSA to the retirement system? 13 A. Could you restate the question? 14 Q. If the oversight board analyzed 15 the impact of the RSA to the retirement 16 system, meaning when it was going to be 17 approved by you, the RSA? 18 MR. NATBONY: Objection as to 19 form. 20 MR. MASHBERG: Objection to form. 21 A. No, it's my understanding the RSA 22 doesn't impact or affect retirement system 23 directly or indirectly. 24 Q. Is it your belief or impression 25 that the RSA doesn't -- or let me strike</p>	<p style="text-align: right;">Page 275</p> <p>1 N. Jaresko - Professional Eyes Only 2 that. 3 Do you believe that with the RSA, 4 PREPA would be -- would be able to make the 5 payments and employer contributions to the 6 retirement system? 7 MR. NATBONY: Objection to form. 8 MR. MASHBERG: Objection to form. 9 A. Again, I don't believe the RSA 10 affects whether PREPA will or will not be 11 able to make its contributions to the 12 retirement system. 13 Q. So is it your testimony that it 14 doesn't affect -- the approval of the RSA 15 doesn't affect in any way the retirement 16 system or PREPA's ability to contribute or 17 make payments to the retirement system? 18 MR. MASHBERG: Objection to form. 19 MR. NATBONY: Objection. Asked 20 and answered. 21 A. I'm not aware of any effect on 22 the payments to the retirement system from 23 the RSA, no. 24 Q. Okay. 25 MS. MÉNDEZ COLBERG: Well, that</p>
<p style="text-align: right;">Page 276</p> <p>1 N. Jaresko - Professional Eyes Only 2 will be all. 3 MR. LYNCH: Why don't we go off 4 the record to switch seats. 5 THE VIDEOGRAPHER: The time is 6 4:22. Going off the record. 7 (Recess is taken.) 8 THE VIDEOGRAPHER: Back on the 9 record the time is 4:25. 10 (Jaresko Exhibit 14, Notice of 11 Deposition of Natalie Jaresko by 12 Cortland Capital Market Services LLC, 13 as administrative agent, and Solus, 14 marked for identification, as of this 15 date.) 16 (Jaresko Exhibit 15, Amended 17 Notice of Deposition of Financial 18 Oversight and Management Board for 19 Puerto Rico by Cortland Capital Market 20 Services LLC, as administrative agent, 21 and Solus, marked for identification, 22 as of this date.) 23 (Jaresko Exhibit 16, Credit 24 Agreement dated as of May 4, 2012 25 amongst PREPA and Scotiabank de Puerto</p>	<p style="text-align: right;">Page 277</p> <p>1 N. Jaresko - Professional Eyes Only 2 Rico, Bates-stamped PREPA_RSA0028179 3 through 28256, marked for 4 identification, as of this date.) 5 (Jaresko Exhibit 17, Trade 6 Finance Facility Agreement dated 7 7/20/12 between PREPA and Citibank, 8 Bates-stamped PREPA_RSA0028086 through 9 28132, marked for identification, as of 10 this date.) 11 EXAMINATION BY 12 MR. LYNCH: 13 Q. Good afternoon, Ms. Jaresko. My 14 name is John Lynch with Wachtell Lipton 15 Rosen &amp; Katz. We represent Cortland 16 Capital Market Services LLC. 17 We have premarked some exhibits 18 for this part of your deposition today. 19 Exhibit 14 is a Notice of Deposition served 20 by the fuel line lenders on you. 21 Exhibit 15 is an amended 30(b)(6) 22 Notice of Deposition to the Oversight 23 Board. 24 Exhibit 16 is the Scotiabank 25 credit agreement.</p>